

**ILLINOIS GRAIN INSURANCE CORPORATION
BOARD OF DIRECTORS
MINUTES**

June 16, 2008

I. WELCOME

Thomas E. Jennings, Acting Director President of the Illinois Grain Insurance Corporation, called to order a special meeting of the Illinois Grain Insurance Corporation on June 16, 2008, at approximately 10:00 a.m. in Room 66 at the Illinois Department of Agriculture. Acting Director Jennings welcomed the members of the Board and their designees, the members of the Advisory Committee, and other attendees.

II. ROLL CALL

Acting Director Jennings asked that all members introduce themselves. For the Board of Directors, the following persons were present:

Tom Jennings
Ed Buckles
Keith Fanning
Laura Lanterman
Karen McNaught

III. INTRODUCTION OF ATTENDEES AND ADVISORY COMMITTEE

A. Advisory Committee

The members of the Grain Insurance Advisory Committee present were:

Jeff Adkisson
Blain Cornwell
Ron Kindred
Dan Litteken
Bill Olthoff

B. Other Attendees

Rick Boyd--Illinois Department of Agriculture
Paul Cope--Illinois Farm Bureau
Emily McHenry--Illinois Department of Agriculture Intern
Stuart Selinger--Illinois Department of Agriculture

IV. TREASURER'S REPORT

Ed Buckles reported that the current balance in the Illinois Grain Insurance Fund as of June 13, 2008, was \$5,050,199.15. The funds in the money market account total \$865,399.28, which is earning interest at a rate of 2.08 percent. The investment in the prime fund is \$4,184,799.87, and is earning interest at the rate of 2.30 percent.

Ed indicated that both investments are doing reasonably well, considering the current interest rates. All investments are collateralized.

There were no additions or corrections made to the Treasurer's report. There were no questions about the report. Karen McNaught moved to approve the minutes of the Treasurer's report. Keith Fanning seconded the motion. The motion carried and the Treasurer's report was approved as submitted.

V. SECRETARY'S REPORT

The minutes of the December 11, 2007, special meeting were distributed to the Board members and the advisory committee members. They also will be available on the web site for the Illinois Department of Agriculture at www.agr.state.il.us, (then click on Inspections and Regulation, then on Warehouses/Coops) after approval.

There were no changes or additions to the minutes of the December 11, 2007, report of the Secretary. There were no questions about the minutes. Ed Buckles moved to approve the Secretary's report. Laura Lanterman seconded the motion. The motion carried and the Secretary's report was approved as submitted.

VI. NEW BUSINESS

A. Illinois Grain Insurance Fund Balance and Assessment Update

Stuart Selinger reported that as of April 30, 2008, there were assets in the Illinois Grain Insurance Fund of \$5,458,527.12 and other assets in the Grain Indemnity Trust Account of \$34,141.25 for a total of \$5,492,668.37. Because the Illinois Grain Insurance Fund was less than \$6 million at the end of 2007, there is a current assessment being made. To-date, the total annual amount collected from assessments and other revenues is \$1,674,466.15. The total encumbrances as of April 30, 2008, were \$2,866,890.00, which is a shortfall of \$1,192,423.85.

B. Update on Grain Dealer and Warehouse Licensure

Stuart Selinger also reported that there are currently 339 licensed grain dealers and warehouses at 1,049 locations. Of those licensees, 332 are grain dealers, of which 325 are regular grain dealers and 7 incidental grain dealers, and 317 are warehouses with a permanent storage capacity of

approximately 1,262,948,000 bushels. The warehouses consist of 249 Class I licensees; 14 Class II licensees; and 24 federal licensees.

C. The Grain Exchange LLC

The Grain Exchange was a grain dealer which failed pursuant to the Illinois Grain Code on March 3, 2008, when its license was revoked. At the time of the failure, the facilities had a storage capacity of approximately 1,032,000 bushels. After failure, the Department of Agriculture processed 100 valid claims for a total of \$2,510,792.00. Valid claims in the amount of \$2,110,265.00 will be paid. However, there are claims of approximately \$400,526.00 that fall outside of coverage. Claimants should be paid by approximately the second week of July. There are no other assets available to recover. The grain and grain assets collected total \$1,185,558.00, and therefore the Illinois Department of Agriculture has asked that the Illinois Grain Insurance Corporation fund claims from the Illinois Grain Insurance Fund not to exceed \$935,000.00 to pay valid grain claimants.

Keith Fanning made a motion to transfer \$935,000.00 from the Illinois Grain Insurance Fund to the Indemnity Trust Fund to pay claimants, with any unused monies to be returned to the Grain Insurance Fund. Ed Buckles seconded the motion.

Ed Buckles asked when the funds needed to be transferred. Stuart Selinger explained that the checks would be mailed approximately the second week of July, so the funds could be transferred any time. The Treasurer's Office and the Illinois Department of Agriculture agreed to work together on this transfer at the appropriate time.

The motion was approved as made. After the motion, Bill Olthoff asked whether there would be a special assessment to grain licensees. Tom Jennings and Stuart Selinger indicated that licensees currently are being assessed and annual assessments will continue until the fund reaches at least \$6 million.

VII. OLD BUSINESS

A. Whalen Insurance Premium Update

The premium for the James Whalen insurance policy is currently \$1,815.00 per month. The policy has been paid through June 2008.

To-date, \$205,571.00 has been paid on the policy. The premium continues to be paid from the Grain Asset Preservation Fund.

Jeff Adkisson asked how much money was in the Grain Assessment

Preservation Fund. Stuart Selinger did not have the information immediately available, but agreed to contact Jeff with the information. Laura Lanterman suggested that the balance of the Grain Regulatory Fund can be obtained from the website of the Office of the Comptroller located at www.ioc.state.il.us. The information is contained in the section on the left side of the screen labeled "cash balance," [double click this], then hit the button labeled "sort by number," go to Fund #291 (Regulatory), [highlight this by clicking once], and then double click "Get Fund Balance."

B. A-Way, Inc. Review

In August 2007, this grain dealer, which had been doing business in Crescent City and Onarga failed. There were 62 valid grain claims. Approximately \$1.8 million was used from the Grain Insurance Fund to pay \$3,527,569.00 valid claims while assets were still being liquidated. Currently, the Department is holding \$89,939.82 plus interest, which will be returned to the Illinois Grain Insurance Fund. There are no other known assets to attempt to recover at this time. The failure is still under criminal investigation. If charges are brought and there is a conviction or plea agreement, there is a possibility of an order of restitution, but probably not for the total loss to the Illinois Grain Insurance Fund.

Laura Lanterman made a motion that \$89,939.82 plus interest be repaid from the Illinois Indemnity Trust Fund to A-Way, which represents the amount of money being held that was not used to pay claimants. Keith Fanning seconded the motion. There was no discussion on the motion. The motion was approved.

C. Central Illinois Grain Company Update

Central Illinois Grain Company was the grain facility associated with the failed ethanol plant near Canton, Illinois. In December 2007, the licensee failed.

All 126 claimants were paid 100 percent of their \$6,003,016.00 losses. The Illinois Department of Agriculture had extraordinary expenses recovered in the amount of \$38,788.00, which will be transferred to the regulatory fund. Because the Illinois Department of Agriculture holds monies in excess of the grain and grain assets liquidated and the expenses in liquidating the assets, it is expected that approximately \$182,000.00 will be returned to Central Illinois Grain Company.

D. Audits

Stuart Selinger advised that copies of Financial Audit and Compliance Examination for the years ending June 30, 2007 and 2006, performed by

McGladrey & Pullen were mailed to the Illinois Grain Insurance Corporation Board members. Additionally, the report of the Auditor General was mailed.

Keith Fanning indicated that he had not received a copy of the audits in the mail, although the information probably was sent to the Director. He asked that he be listed on the mailing list so that he could receive his own copy. Stuart Selinger agreed to update the list.

Bill Olthoff asked what the Department was prepared to do as a result of the finding by the Auditor General that the \$2,000,000.00 Grain Insurance Reserve Fund had not been established. Tom Jennings reported that each year, the Department of Agriculture asks the Office of the Governor and the Office of Management and Budget to request an appropriation from the General Assembly for the funds. Although there was an appropriation in FY07, it could not be expended. The Department of Agriculture will continue to make a request for an appropriation, until the funds are appropriated and released.

VII. ADJOURNMENT

A motion was made by Keith Fanning to adjourn the meeting of the Illinois Grain Insurance Corporation and was seconded by Ed Buckles. The meeting of the Illinois Grain Insurance Corporation was adjourned at approximately 10:32 a.m.

Respectfully submitted,

June 16, 2008
Date

/s/ Karen L. McNaught
Karen L. McNaught
Secretary Designee